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Semi-Annual Report

of

THE KROGER GROCERY & BAKING COMPANY

June 30, 1939

To the Shareholders of
The Kroger Grocery & Baking Company:

Net earnings of your company for the first six periods of 1939 (24 weeks—January 1, 1939, to June 17, 1939, inclusive) were $1.256 per share of common stock outstanding, after preferred dividends.

Significant figures relative to your company's operations and financial condition are given below.

SALES AND EARNINGS

	FIRST SIX PERIODS 1939	FIRST SIX PERIODS 1938	CHANGE
Sales	$110,018,922.34	$107,923,389.45	$2,095,532.89 Increase
Earnings	$ 2,290,846.39	$ 1,615,052.51	$ 675,793.88 Increase
Number of shares of common stock outstanding at close of 6th Period (on which dividends are being paid).	1,821,989	1,821,989	.....
Earnings per Common Share	$1.256	$0.885	$0.371 Increase

This statement does not include earnings of your company's subsidiary, Piggly Wiggly Corporation, which declared no dividends in the first six periods of either 1939 or 1938. In accordance with usual practice, net earnings, as shown herein, are after depreciation and provision for Federal Taxes, but subject to adjustments which may be made by public auditors at the year end.

FINANCIAL CONDITION

	JUNE 17, 1939	JUNE 18, 1938	CHANGE
Current Assets	$36,236,705.96	$34,863,556.29	+ $1,373,149.67
Current Liabilities	$ 7,553,481.95	$ 7,092,015.69	+ $ 461,466.26
Current Ratio	4.8—1	4.9—1	— 0.1—1
Cash	$15,420,263.73	$14,628,412.94	+ $ 791,850.79
Ratio of Cash to Current Liabilities	2.0—1	2.1—1	— 0.1—1
Net Working Capital	$28,683,224.01	$27,771,540.60	+ $ 911,683.41
Inventories	$18,642,218.43	$17,724,758.53	+ $ 917,459.90
Bank Loans or Other Interest-Bearing Obligations	None	None	.....
Average Number of Stores in Operation	3946	4062	— 116

SALES AND EARNINGS—Sales were up 2% and, calculated on the decline in the commodity price level, tonnage increased approximately 5%. (The Government Index shows that average retail food prices were 3% below the same period of 1938.)

While the gross profit ratio in the stores was down, yet it was possible to show an increased net profit, due to increase in sales volume, continued improvement in operating efficiency, and increased acceptance of Kroger Manufactured Products.

FINANCIAL CONDITION—Your company's cash position is the best in its history. Your company has been following a conservative policy with respect to merchandise inventories.

Since our last report, there has been no enactment of Discriminatory Chain Store Tax Laws in our territory, and the Supreme Courts of Pennsylvania and Kentucky have declared unconstitutional Discriminatory Chain Store Tax Laws that were in force in these states.

Respectfully submitted,

Robert B. Morris

President